

APPENDIX A

PROSPECTIVE PAYMENT SCHEDULE

FOR

PREFERRED PROVIDER PROGRAMS

I. Basic Compensation.

1.1 Application. This Prospective Payment Schedule applies to all Preferred Provider Programs that do not have a separate or specific Prospective Payment Schedule applicable to the Preferred Provider Program. As of the effective date, the current Preferred Provider Programs to which this Prospective Payment Schedule applies are as follows: PROGRAM 1 NAME and PROGRAM 2 NAME and PROGRAM 3 NAME.

1.2 Maximum Reimbursement. The following Prospective Payment Schedule represents the maximum reimbursement amounts for the provision of Covered Services to Covered Persons in such Preferred Provider Programs. Each amount is all inclusive and covers all services (technical and professional components) and supplies provided to a Covered Person in connection with a particular procedure or service.

(a) Program 1. The Prospective Payment Schedule for Program 1 is, at any given time, the Company's then effective fee schedule applicable to Program 1. The maximum reimbursement for the provision of a Covered Service to a Covered Person in Program 1 is the applicable amount set forth in the Company's then effective fee schedule applicable to Program 1. Upon Group's reasonable written request from time to time, the Company will provide Group with a representative sample of the fees then in effect under the Company's fee schedule applicable to Program 1. If requested, in writing, by Group prior to the execution of this Agreement by Administrator, a representative sample of the fees in effect on the effective date of this Agreement will be attached hereto by Administrator and will become a part of this Agreement.

(b) Program 2. The Prospective Payment Schedule for Program 2 is, at any given time, the Company's then effective fee schedule applicable to Program 2. The maximum reimbursement for the provision of a Covered Service to a Covered Person in Program 2 is the applicable amount set forth in the Company's then effective fee schedule applicable to Program 2. Upon Group's reasonable written request from time to time, the Company will provide Group with a representative sample of the fees then in effect under the Company's fee schedule applicable to Program 2. If requested, in writing, by Group prior to the execution of this Agreement by Company, a representative sample of the fees in effect on the effective date of this Agreement will be attached hereto by Company and will become a part of this Agreement.

(c) Program 3. The Prospective Payment Schedule for Program 3 is, at any given time, the Company's then effective fee schedule applicable to Program 3. The maximum reimbursement for the provision of a Covered Service to a Covered Person in Program 3 is the applicable amount set forth in the Company's then effective fee schedule applicable to Program 3. Upon Group's reasonable written request from time to time, the Company will provide Group with a representative sample of the fees then in effect under the Company's fee schedule applicable to Program 3. If requested, in writing, by Group prior to the execution of this Agreement by Company, a representative sample of the fees in effect on the effective date of this Agreement will be attached hereto by Company and will become a part of this Agreement.

(d) Other Preferred Provider Programs. The Prospective Payment Schedule for any other Preferred Provider Program subject to this Prospective Payment Schedule is, at any given time, the Company's then effective fee schedule applicable to such other Preferred Provider Program. The maximum reimbursement for the provision of a Covered Service to a Covered Person in any such other Preferred Provider Program is the applicable amount set forth in the Company's then effective fee schedule applicable to such other Preferred Provider Program. Upon Group's reasonable written request from time to time, the Company will provide Group with a representative

sample of the fees then in effect under the Company's fee schedule applicable to another Preferred Provider Program.

II. Additional Compensation for the PPO Specialist Program.

In addition to the payments described above in Section I of this Prospective Payment Schedule, Group may have the opportunity to earn additional compensation under the Company's "PPO Specialist Program" for the Preferred Provider Programs subject to this Prospective Payment Schedule and that are not excluded by the Company from participation (the participating programs are hereinafter referred to as the "Preferred Provider Programs") so long as Group is eligible to participate in the PPO Specialist Program and neither Group nor the Company has terminated Group's participation in the PPO Specialist Program in accordance with the provisions of this Agreement. The PPO Specialist Program is hereinafter described in this Section II.

2.1 **Defined Terms.** When appearing with initial capital letters in this Prospective Payment Schedule, the following quoted terms will have the meanings set forth below in this Section 2.1.

(a) "Additional Compensation" means any payment rendered to Group pursuant to this Section II. Additional Compensation is available for each Physician Specialty in which Group participates if (i) Group achieves the Quality Goals for that Physician Specialty, and (ii) there is a Budget Surplus for that Physician Specialty.

(b) "Additional Compensation Maximum" means the dollar amount equal to one-third of the aggregate amounts paid to the Group Physicians in a Contract Year by the Company for Covered Services provided to Qualified Covered Persons in that Contract Year, or such other (higher or lower) maximum dollar amount established by the Company in order to comply with applicable laws and regulations or fulfill any requirements for the application or fulfillment of any safe harbor under the federal anti-kickback statute (42 U.S.C. §1320a-7b(b)) and any similar state law, or any exception under the federal self-referral statute (42 U.S.C. §1395nn) and any similar state law.

(c) "Assigned PTE" means a PTE that is assigned to a Specialist Physician by the Company. The Company currently assigns a PTE to the Participating Physician or non-Participating Physician who provided the most Physician Services within the PTE, based on the aggregate dollar amount of the Covered Charges for such Physician Services on claims submitted to the Company within the Contract Year, excluding all those PTEs with Total Covered Charges that fall two or more standard deviations from the Network Mean.

(d) "Budget Deficit" means the dollar amount equal to the difference between the Final Adjusted Budgeted TACC for a Physician Specialty and the Final Actual TACC for that Physician Specialty when the Final Adjusted Budgeted TACC is less than the Final Actual TACC.

(e) "Budget Surplus" means the dollar amount equal to the difference between the Final Adjusted Budgeted TACC for a Physician Specialty and the Final Actual TACC for that Physician Specialty when the Final Adjusted Budgeted TACC is greater than the Final Actual TACC.

(f) "Contract Quarter" means, for a Physician Specialty in which Group participates, (i) with respect to the initial Contract Quarter, the consecutive three (3) calendar month period in the term of this Agreement beginning with the month in which the Effective Date for that Physician Specialty occurs, and (ii) thereafter, each consecutive three (3) calendar month period in the term of this Agreement (or, with respect to the final Contract Quarter for the Physician Specialty, such lesser period of time in the term of this Agreement).

(g) "Contract Year" means, for a Physician Specialty in which Group participates, (i) with respect to the initial Contract Year, the four (4) consecutive Contract Quarters beginning with the Contract Quarter in which the Effective Date for that Physician Specialty occurs, and (ii) with respect to each subsequent Contract Year, the four consecutive Contract Quarters beginning with the Contract Quarter in which the anniversary of the Effective Date for the Physician Specialty occurs.

(h) "Covered Charge" means the Allowed Amount for a Covered Service.

(i) "Effective Date" means, with respect to a Physician Specialty in which Group participates, the first day of the month designated by the Company, after consultation with Group, in which Group will participate in the PPO Specialist Program for that Physician Specialty. The Effective Dates for the Physician Specialties in which Group participates may be different dates.

(j) "Final Actual TACC" means, for a Physician Specialty in which Group participates, the dollar amount equal to the product of the Total Average Covered Charges for that Physician Specialty for the Contract Year multiplied by the RVU for the Assigned PTEs of the Specialist Physicians in that Physician Specialty for the Contract Year.

(k) "Final Adjusted Budgeted TACC" means, for a Physician Specialty in which Group participates, the dollar amount equal to the product of the Final Unadjusted Budgeted TACC for that Physician Specialty for the Contract Year multiplied by the RVU for the Assigned PTEs of the Specialist Physicians in that Physician Specialty for the Contract Year.

(l) "Final Unadjusted Budgeted TACC" means, for a Physician Specialty in which Group participates, a predefined per Assigned PTE dollar amount established in accordance with Section 2.4 of this Prospective Payment Schedule for that Physician Specialty.

(m) "Network Mean" means the dollar amount equal to the mathematical mean of all PTEs that are initiated during the Contract Year for a Physician Specialty in the applicable network assigned by the Company to Group, based on the total Covered Charges for each PTE in that Physician Specialty.

(n) "Patient Treatment Episode" or "PTE" means each complete or partial episode of care, and all of the services, supplies, accommodations and care provided during the duration of the episode of care for which claims (or encounter data) are submitted to the Company or its delegate and that are within the grouping of diagnostic codes applicable to the episode of care, for a Qualified Covered Person. An episode of care is complete when there are no Covered Services provided (and no encounter data or claims submitted) in connection with the grouping of diagnostic codes that comprises the episode of care within the time period established by the Company for which follow-up care is still reasonable to expect. A partial episode of care is an episode of care that is not completed prior to the end of a Contract Year; a partial episode of care will be included in the PTEs for the Contract Year in which the episode of care was initiated and the PTEs for the Contract Year in which the PTE is completed.

(o) "Physician Specialty" means a separate medical or surgical specialty practice area established from time to time by the Company for which Specialist Physicians will be eligible for the opportunity to earn Additional Compensation and, if eligible, will have its own Final Unadjusted Budgeted TACC for the PPO Specialist Program.

(p) "Qualified Coverage Agreement" means a Coverage Agreement issued under a Preferred Provider Program that the Company designates as participating in the PPO Specialist Program.

(q) "Qualified Covered Person" means a Covered Person who is entitled to received benefits under a Qualified Coverage Agreement, and who does not participate in any federal or state programs designated from time to time by the Company (which include, among others, Medicare and Medicaid).

(r) "Quality Goals" means the Company's then current quality and patient satisfaction performance levels that must be achieved by Specialist Physicians in a Physician Specialty in order to obtain the Additional Compensation set forth in Section 2.6 of this Prospective Payment Schedule for that Physician Specialty.

(s) "RVU" means the average relative value unit or adjustment factor assigned by the Company to account for the case-mix experience and severity of illness of the Assigned PTEs of the Specialist Physicians in a Physician Specialty for a Contract Year.

(t) "Settlement Calculation Date" means the date through which the Total Covered Charges will be accumulated for use in calculating the Budget Surplus or Budget Deficit in a Physician Specialty for any

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(u) “Specialist Physician” means a Group Physician who is board certified in a Physician

(v) "Total Average Covered Charges" or "TACC" means, for a Physician Specialty in which

(w) “Total Covered Charges” means the dollar amount equal to the sum of the aggregate

2.2 Minimum Participation Requirements. In order to be eligible to have the opportunity to earn any

2.3 Performance Measures. For each Contract Year, the Company will measure quality parameters

2.4 Budgeted Total Average Covered Charges. For each Physician Specialty in which Group is

(a) First Contract Year. For the first Contract Year, the Final Unadjusted Budgeted TACC

(i) If the Company determines that the Specialist Physicians in the applicable

(ii) If the Company determines that the Specialist Physicians in the applicable

derived by the Company from a representative sample of the "Total Average Coverage Charges" for "Assigned PTEs" for Participating Physicians in that Physician Specialty and for Specialist Physicians in the Physician Specialty (based on ratios established by the Company) for a twelve (12) month period prior to the Effective Date ("Base Year").

(iii) On or about the one hundred twentieth (120th) day following the beginning of the first Contract Year, the Company will provide Group with its Final Unadjusted Budgeted TACC.

(b) Subsequent Contract Years. For each subsequent Contract Year after the first Contract Year, the Final Unadjusted Budgeted TACC for a Physician Specialty will be determined by the Company in accordance with the following provisions of this Section 2.4(b).

(i) If there was a Budget Surplus for the prior Contract Year and the Company determines that the Specialist Physicians in the applicable Physician Specialty have the minimum number of Assigned PTEs established from time to time by the Company for that Physician Specialty, the Final Unadjusted Budgeted TACC will equal the Final Actual TACC plus the Additional Compensation paid to Group for the prior Contract Year for that Physician Specialty.

(ii) If there was a Budget Deficit for the prior Contract Year and the Company determines that the Specialist Physicians in the applicable Physician Specialty do not have the minimum number of Assigned PTEs established from time to time by the Company for that Physician Specialty, the Final Unadjusted Budgeted TACC will equal the Final Adjusted Budgeted TACC for the prior Contract Year for that Physician Specialty.

(iii) If the Company determines that the Specialist Physicians in the applicable Physician Specialty do not have the minimum number of Assigned PTEs established from time to time by the Company for that Physician Specialty, the Final Unadjusted Budgeted TACC will be derived by the Company from the following: (1) a percentage, that is determined by the Company based on its then established ratios, of the aggregate of Group's Final Actual TACC for a two year period or three year period (if available and determined necessary by the Company for a statistically valid determination) consisting of all Contract Years (if available) or the Base Year and up to two Contract Years for that Physician Specialty, (2) a percentage, that is determined by the Company based on its then established ratios, of the "Final Actual TACC" from all Participating Physicians in that Physician Specialty in the Preferred Provider Programs for the prior Contract Year, but only if determined necessary by the Company for a statistically valid determination, and (3) the Additional Compensation paid for the prior Contract Year, if any, for that Physician Specialty.

(iv) The Company will provide Group with its Final Unadjusted Budgeted TACC for the Physician Specialty for each subsequent Contract Year within the one hundred eighty (180) day period following the end of the prior Contract Year.

(c) Adjustments. The Company may make appropriate adjustments to any Final Unadjusted Budgeted TACC for a Physician Specialty for any given Contract Year to account for medical cost trends and changes in claims processing.

2.5 Settlement. Following the close of each Contract Year for a Physician Specialty, the Company will determine whether a Budget Surplus or Budget Deficit was created based on the Total Covered Charges incurred in connection with the Assigned PTEs for Specialist Physicians in that Physician Specialty for that Contract Year through the Settlement Calculation Date. The Company will make such determination based upon the Company's then effective policies, rules and procedures applicable to the PPO Specialist Program.

2.6 Total Additional Compensation Available. Group will not receive any Additional Compensation for a Physician Specialty if one or more of the following occurs: (i) a Budget Deficit is created for that Physician Specialty in the applicable Contract Year, (ii) Group does not meet the Quality Goals for that Physician Specialty in the applicable Contract Year, or (iii) the Specialist Physicians in the applicable Physician Specialty do not have the minimum number of Assigned PTEs established from time to time by the Company for that Physician Specialty in the applicable Contract Year. Upon Group's reasonable request from time to time, the Company will provide Group

with the minimum number of Assigned PTEs required for a Physician Specialty in order to be eligible for Additional Compensation in the applicable Contract Year. In the event a Budget Surplus is created for a Physician Specialty, Group will have the opportunity to earn Additional Compensation for that Physician Specialty, provided that Group meets the participation requirements for the PPO Specialist Program, the Specialist Physicians in that Physician Specialty have the minimum number of Assigned PTEs established by the Company, and Group meets the Quality Goals described in this Section II for that Physician Specialty. The amount of the Additional Compensation for the Physician Specialty will be computed as follows:

(a) if Group's Final Actual TACC is higher than the Network Mean and Group meets the Level I Quality Goals established for the Contract Year, but Group does not meet the Level II Quality Goals established for the Contract Year, Group will receive, as Additional Compensation, an amount equal to 44% of the Budget Surplus, subject to the Additional Compensation Maximum;

(b) if Group's Final Actual TACC is less than or equal to the Network Mean and Group meets the Level I Quality Goals established for the Contract Year, but Group does not meet the Level II Quality Goals established for the Contract Year, Group will receive, as Additional Compensation, an amount equal to 54% of the Budget Surplus, subject to the Additional Compensation Maximum;

(c) if Group's Final Actual TACC is higher than the Network Mean and Group meets the Level II Quality Goals established for the Contract Year, but Group does not exceed the Level II Quality Goals established for the Contract Year, Group will receive, as Additional Compensation, an amount equal to 47% of the Budget Surplus, subject to the Additional Compensation Maximum;

(d) if Group's Final Actual TACC is less than or equal to the Network Mean and Group meets the Level II Quality Goals established for the Contract Year, but Group does not exceed the Level II Quality Goals established for the Contract Year, Group will receive, as Additional Compensation, an amount equal to 57% of the Budget Surplus, subject to the Additional Compensation Maximum;

(e) if Group's Final Actual TACC is greater than the Network Mean and Group exceeds the Level II Quality Goals established for the Contract Year, Group will receive, as Additional Compensation, an amount equal to 50% of the Budget Surplus, subject to the Additional Compensation Maximum; or

(f) if Group's Final Actual TACC is less than or equal to the Network Mean and Group exceeds the Level II Quality Goals established for the Contract Year, Group will receive, as Additional Compensation, an amount equal to 60% of the Budget Surplus, subject to the Additional Compensation Maximum.

In no event will the aggregate Additional Compensation for a Physician Specialty, or all Physician Specialties in the aggregate, to be paid to Group for any Contract Year exceed the Additional Compensation Maximum. The Company will pay the Additional Compensation due for a Physician Specialty, if any, to Group within the one hundred eighty (180) day period following the end of the Contract Year for that Physician Specialty. If termination of this Agreement or the participation of Group and the Group Physicians in the PPO Specialist Program or a Physician Specialty creates a contract period of less than a full Contract Year, the Company may pay Additional Compensation for the Physician Specialty, but will not be obligated to do so.

2.7 Reports. In connection with Group's performance in the PPO Specialist Program, the Company will provide Group with quarterly reports that are prepared by or on behalf of the Company, which reports will generally show Group's performance on a number of measures including the components used to measure quality, patient satisfaction and Covered Charges. Group may only use such reports and the information contained therein for the purpose of assessing its performance in the PPO Specialist Program. If Group or a Group Physician desires to disclose such reports or information to any person or entity (other than a Group Physician), or use such reports or the information contained therein for any other purpose, Group or the Group Physician, as the case may be, must first obtain the prior written approval of the Company to each such disclosure or use. In connection with each such request, Group or the Group Physician, as the case may be, shall provide the Company with a description of the specific use or purpose, the person or entity to whom the report or information will be disclosed, and the content and format in which such report or information will be disclosed.

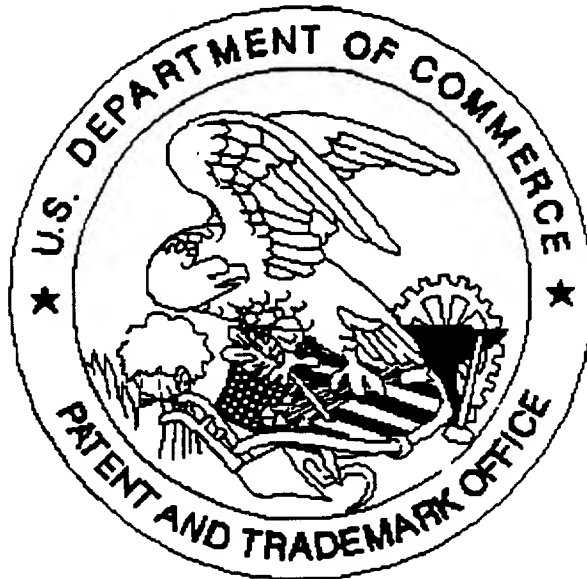
2.8 Disclosure and Compliance Matters.

(a) Incentives. When requested by the Company from time to time, Group and each Group Physician shall provide the Company with detailed written information, in a manner and format reasonably requested by the Company, regarding all incentive plans in which Group or a Group Physician participates that involve or any way relate to Covered Persons, Qualified Covered Persons or the Physician Services provided by a Group Physician to Covered Persons or Qualified Covered Persons. Group and each Group Physician shall ensure, at their sole expense, that its or their participation in, or the operation or administration of, any incentive plan complies with and fulfills all requirements imposed by state or federal laws or regulations, including, any requirements for the application or fulfillment of any safe harbor under the federal anti-kickback statute (42 U.S.C. §1320a-7b(b)) and any similar state law, or any exception under the federal self-referral statute (42 U.S.C. §1395nn) and any similar state law. Neither Group nor a Group Physician shall pay, receive, or offer any incentive, or participate in any incentive program or arrangement, that provides or would provide a Group Physician or any other physician or provider with a direct or indirect inducement to provide less than Medically Necessary health care services, supplies, accommodations, treatments or care to Covered Persons. Group and the Group Physicians acknowledge and agree that the PPO Specialist Program does not provide Group or a Group Physician with an inducement or incentive to provide less than Medically Necessary Physician Services to Qualified Covered Persons, and that clinical and treatment decisions will not be influenced by the desire to obtain Additional Compensation. Neither Group nor the Group Physicians shall claim payment in any form, directly or indirectly, from a federal health care program for items or services covered for payment under this Agreement. The Company and Group agree that neither party is giving or receiving any remuneration in return for or to induce the provision or acceptance of business (other than business covered by this Agreement) for which payment may be made in whole or in part by a federal health care program on a fee-for-service basis, and neither the Company, Group nor a Group Physician shall shift the financial burdens of this Agreement in a manner that increased payments are claimed from a federal health care program.

(b) Maximum Additional Compensation. Unless otherwise approved in advance, in writing, by the Company, Group may not distribute or otherwise pay a Group Physician in connection with his or her participation in the PPO Specialist Program for a Contract Year, an amount greater than one-third of the aggregate amounts paid by the Company for Covered Services provided by the Group Physician to Qualified Covered Persons in that Contract Year, or such other maximum amount established by the Company in order to comply with applicable laws and regulations or fulfill any requirements imposed on the Company or for the application or fulfillment of any safe harbor under the federal anti-kickback statute (42 U.S.C. §1320a-7b(b)) and any similar state law, or any exception under the federal self-referral statute (42 U.S.C. §1395nn) and any similar state law. Within the thirty (30) day period following any distribution by Group, Group shall certify to the Company, in writing, the amounts paid to each Group Physician in connection with the PPO Specialist Program. Upon the Company's reasonable request from time to time, Group shall permit the Company or its designee to inspect the records of Group to verify the accuracy of the certification provided by Group to the Company.

(c) Stop-Loss. To the extent required by state or federal law or to the extent required in order to qualify for any safe harbor protection under the federal anti-kickback statute, any exception under the federal self-referral statute or any state law exception or safe harbor, Group shall arrange, at its or the applicable Group Physician's sole cost and expense, for stop-loss protection to be provided to the Group Physician with per claim and aggregate attachment points that meet or exceed the minimum requirements established by applicable state or federal law and such additional amounts reasonably acceptable to the Company. Upon the Company's request, Group shall provide the Company with evidence reasonably satisfactory to the Company that such protection is being provided to the Group Physicians.

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